

Message Text

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ACTION NEA-16

INFO OCT-01 EUR-25 ISO-00 PA-04 PRS-01 USIA-15 FEA-02

AEC-11 AID-05 CEA-02 CIAE-00 CIEP-03 COME-00 DODE-00

EB-12 FPC-01 H-03 INR-11 INT-08 L-03 NSAE-00 NSC-07

OMB-01 PM-07 RSC-01 SAM-01 SCI-06 SP-03 SS-20 STR-08

TRSE-00 FRB-03 DRC-01 /181 W
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R 050430Z OCT 74

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 1114

INFO AMEMBASSY ABU DHABI

AMEMBASSY JIDDA

USINT ALGIERS

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY MUSCAT

AMEMBASSY TEHRAN

AMEMBASSY VIENNA

C O N F I D E N T I A L SECTION 1 OF 2 KUWAIT 4280

FROM PAGANELLI EMBASSY DOHA

EO 11652: GDS

TAGS: ENRG QA US

SUBJ: FURTHER QATARI REACTION TO US VIEWS ON OIL PRICES

REF: MANAMA 0787

1. SUMMARY: QATARI OIL DIRECTOR JAIDAH HAS CRITICIZED PRESIDENT'S
AND SECRETARY'S STATEMENTS ON OIL PRICES AS TACTICALLY IN-
ADVISABLE ALTHOUGH HE ACCEPTED THAT US INTENT IS TO SEEK COOPERATION
AND NOT CONFRONTATION. JAIDAH ADVISED THAT ALGERIA'S OIL MINISTER
TO TOUR PRODUCING COUNTRIES WITH SPECIAL MESSAGE FROM BOUMEDIENNE.
ACCORDING JAIDAH, PRODUCERS WISH TO RATIONALIZE OIL PRICES VIA
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DISCUSSIONS WITH CONSUMERS ON OIL AND OTHER COMMODITY AND MANUFACT-

URES' PRICES TO INSURE WORLD ECONOMIC STABILITY, AND RECOGNIZE THAT CONFRONTATION WITH CONSUMERS WOULD BE DAMAGING TO ALL CONCERNED. ALTHOUGH QATARIS WILL CONTINUE TO GO ALONG WITH MAJORITY OF PRODUCERS ON PRICE, THEY APPEAR TO UNDERSTAND NEED FOR REASONABLE COMPROMISE ON PRICE ISSUE, AND GENUINELY WISH TO AVOID PRODUCER/CONSUMER CONFRONTATION. END SUMMARY

2. DURING HOUR-LONG CONVERSATION OCT 1 WITH ALI JAIDAH, GOVERNMENT OF QATAR DIRECTOR OF PETROLEUM, JAIDAH COMMENTED ON OIL PRICE SITUATION IN LIGHT OF RECENT STATEMENTS BY PRESIDENT AND SECRETARY. JAIDAH'S REMARKS WERE SIMILAR TO THOSE HE MADE TO VISITING NEA DEPUTY ASSISTANT SECRETARY SOBER AT EMBASSY RECEPTION SEPT 27. JAIDAH SHARPLY QUESTIONED WHAT HE DESCRIBED AS "SHOCK TREATMENT" REPRESENTED BY PRESIDENT'S AND SECRETARY'S SPEECHES. ALTHOUGH HE SAID HE ACCEPTED SOBER'S AND MY EX POST FACTO EXPLANATION THAT US INTENT WAS TO SEEK COOPERATION RATHER THAN CONFRONTATION, INITIAL IMPRESSION IN AREA WAS THAT US HAD DETERMINED TO CHALLENGE OIL PRODUCERS, AND ESPECIALLY ARABS. HE NOTED THAT, AS USUAL, INITIAL IMPRESSION OF CHALLENGE WAS ENDURING ONE. HE ACKNOWLEDGED MY POINT THAT AREA PRESS RHETORIC ON SUBJECT HAD TONED DOWN AS UNDERSTANDING OF US INTENT TOOK HOLD, BUT OBSERVED US PRESS CONTINUED TO BEAT ANTI-ARAB DRUM. IN ADDITION, HE TOLD ME THAT QATARIS INFORMED THAT ALGERIAN OIL MINISTER IS UNDERTAKING TOUR OF OIL PRODUCING COUNTRIES WITH SPECIAL MESSAGE FROM PRESIDENT BOUMEDIENNE WHICH IT WAS ASSUMED DEALT WITH RECENT US STATEMENTS ON OIL PRICES.

3. JAIDAH ASKED WHY US HAD TAKEN INITIATIVE TO SPEAK OUT ON OIL PRICE QUESTION SINCE IT SUFFERING RELATIVELY LITTLE FROM SITUATION. HE SAID SPECIALLY COMMISSIONED OPEC STUDY HAD SHOWN THAT ITALY AND FRANCE WERE ONLY INDUSTRIALIZED COUNTRIES SERIOUSLY AFFECTED BY ESCALATED OIL PRICES. I REPLIED THAT US, AS RESPONSIBLE WORLD POWER, OBLIGED TO SPEAK OUT SINCE WE DEEPLY CONCERNED THAT ECONOMIC DISLOCATIONS CAUSED BY EXORBITANT OIL PRICES COULD THREATEN BASIC POLITICAL AND ECONOMIC STRUCTURES IN MANY INDUSTRIAL AS WELL AS DEVELOPING COUNTRIES TO DETRIMENT OF INTERNATIONAL STABILITY. JAIDAH REMARKED THAT LEAST USG COULD HAVE DONE WAS TO EXPLAIN RATIONALE OF US VIEWS IN ADVANCE OF PUBLIC BLAST. BETTER STILL, ACCORDING JAIDAH, WE SHOULD HAVE BROUGHT OUR VIEWS PRIVATELY TO THE ATTENTION OF PRODUCERS, CONFIDENTIAL

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PARTICULARLY THE SHAH. AS IT STOOD NOW, IN LIGHT OF WHAT HAS BEEN INTERPRETED AS AN OPEN CHALLENGE, PRODUCERS WOULD FIND IT POLITICALLY IMPOSSIBLE TO REDUCE PRICES IN SUCH ATMOSPHERE. JAIDAH STRESSED THAT NO PRODUCING COUNTRY GOVERNMENT COULD BACK DOWN IN FACE OF SUCH OVERT PRESSURE AND SURVIVE POLITICAL REPERCUSSIONS. HE OBSERVED THAT OIL PRODUCERS INCREASED WEALTH AND CONTROL OVER PRODUCTION AND PRICE WERE TOO RECENT ACQUISITION FOR PRODUCERS TO BOW GRACEFULLY BEFORE OPEN DEMAND FOR PRICE

REDUCTION WHICH BASIC CHALLENGE TO THEIR NEW-FOUND POWER.

4. JAIDAH EXPRESSED FERVENT HOPE THAT PRODUCER/CONSUMER CONTRO-
VERSY OVER PRICES WOULD NOT (RPT NOT) REACH POINT OF OPEN CON-
FRONTATION, ALTHOUGH HE CAUTIONED THAT SUCH DANGER EXISTS. HE
SAID PRESENT SITUATION PARTICULARLY IRONIC SINCE NEITHER
PRODUCERS NOR CONSUMERS WANT A CONFRONTATION AND BOTH RECOGNIZE
EXPLOSIVENESS OF DISPUTE. HE SAID HE CONVINCED THAT PRODUCERS FOR
THEIR PART ARE GENUINELY DESIROUS OF BROAD-RANGE DISCUSSIONS WITH
CONSUMERS TO RATIONALIZE OIL AND OTHER COMMODITY AND MANUFACTURERS'
PRICES IN THE INTEREST OF PRESERVING WORLD ECONOMIC STABILITY.
ACCORDING JAIDAH, SUCH CONSULTATIONS COULD PROVIDE FACE-SAVING
COVER FOR REDUCTION OF OIL PRICES. ON OTHER HAND, HE PURSUED
STANDARD JUSTIFICATION OF PRESENT OIL PRICE STRUCTURE, I.E.,
THAT EXPLOITATION BY INDUSTRIALIZED COUNTRIES OF CHEAP OIL AT
PRODUCERS EXPENSE HAD FINANCED PROSPERITY OF WEST, AND PRODUCERS
JUST GETTING THEIRS BACK NOW.

5. FURTHER RE POSSIBLE PRODUCER/CONSUMER CONFRONTATION, JAIDAH
SAID HE HAD WARNED HIS OPEC COLLEAGUES AT EVERY OPPORTUNITY THAT
OIL PRICE ISSUE COULD PROVOKE SEVERE RETALIATION FROM US AND
EUROPEAN CONSUMERS WHOSE CONTROL OF FINANCE, INDUSTRIAL PRODUCTS,
AND ARMAMENTS COULD BE USED TO GREAT EFFECT AGAINST ARAB AND
OTHER PRODUCERS. (IN THIS CONTEXT HE STATED THAT A RENEWED
IRAQI THREAT AGAINST KUWAIT, FOR EXAMPLE, WOULD SEND THE KUWAITIS
SCURRYING WESTWARD FOR ARMS WHICH COULD BE WITHHELD AS RETALIATION,
AND SIMILAR COUNTER MEASURES COULD BE USED AGAINST OTHER GULF
STATES SEEKING ARMS FOR INTERNAL OR REGIONAL
SECURITY REASONS.) HE OBSERVED THAT AT LEAST IN PART, BASIC ARAB
PRODUCER DISPOSITION TO LOOK FOR REASONABLE COMPROMISE ON OIL
PRICES WAS ARABS' TRADITIONAL ORIENTATION TO WEST. HE SAID IT
WOULD BE TRAGEDY FOR OIL PRICE ISSUE TO DESTROY ESSENTIAL COM-
PATIBILITY BETWEEN ARAB WORLD AND WEST.
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C O N F I D E N T I A L SECTION 2 OF 2 KUWAIT 4280

FROM PAGANELLI EMBASSY DOHA

6. JAIDAH SPECULATED THAT THERE MIGHT BE A SAUDI HAND BEHIND PRESIDENT'S AND SECRETARY'S SPEECHES. HE NOTED PRESS REPORTS THAT YAMANI HAD BEEN COMPLETELY UNRUFFLED BY PRESIDENT'S REMARKS. HE SAID SAUDIS HAD WORKED WITHIN OPEC TO CONVINCE OTHERS THAT PRICE REDUCTIONS WERE CALLED FOR, BUT THEIR EFFORTS HAD BEEN IN VAIN. THEREFORE, HE THOUGH SAUDIS MAY HAVE PRODDED US INTO PUBLIC FORUM ON ISSUE. IN THIS CONTEXT, JAIDAH REITERATED THAT BEST US TACTIC MIGHT BE PRIVATE REPRESENTATIONS TO SHAH WHO MAJOR OPPONENT OF REDUCTIONS. HE SUGGESTED FURTHER THAT USG, FRUSTRATED BY INABILITY TO CONTROL INFLATION, HAD SELECTED PRODUCERS, PARTICULARLY ARABS, AS SCAPEGOAT FOR PUBLIC LASHING. I REITERATED THAT US MOTIVATED SOLELY BY ITS DEEP CONCERN THAT
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OIL PRICE ESCALATIONS CREATING WORLD-WIDE ECONOMIC AND POLITICAL INSTABILITY.

7. COMMENT: JAIDAH'S COMMENTS ON RECENT US STATEMENTS ON OIL PRICES WERE MUCH MORE AGGRESSIVE THAN THOSE OF THE AMIR, SHAYKH KHALIFA, TO SOBER ON SEPT 28 (REFTEL). BOTH MEN, HOWEVER, INDICATED PRODUCERS' WILLINGNESS TO RATIONALIZE OIL PRICES IN CONTEXT OF INTERNATIONAL DISCUSSIONS THAT INCLUDE OTHER COMMODITIES AND MANUFACTURES. JAIDAH IS THE GOQ OFFICIAL WHO BEST

UNDERSTANDS THE ECONOMICS OF OIL AND IT APPEARS HIS VIEWS REFLECT THOSE OF OPEC MAJORITY. (JAIDAH IS LEAVING HIS POST THIS WEEK FOR AN ACADEMIC YEAR AT OXFORD. HE WAS VAGUE ON WHETHER HE IS QUITTING HIS JOB OR JUST ON LEAVE OF ABSENCE.) THE DIFFERENCE OF INTENSITY OF THE AMIR'S AND JAIDAH'S REACTIONS TO THE PRESIDENT'S AND SECRETARY'S SPEECHES NOTWITHSTANDING, THE GOQ WILL CONTINUE TO GO ALONG WITH OPEC MAJORITY ON PRICE ISSUE. HOWEVER, ALTHOUGH UP UNTIL NOW QATARIS HAVE STOOD WITH MAJORITY AGAINST SAUDI RECOMMENDATIONS FOR PRICE REDUCTIONS, THEY DO APPEAR TO SEE NEED FOR RATIONALIZING OIL PRICES AND SINCERELY WISH TO AVOID CONFRONTATION. ALTHOUGH IT NOT TYPICAL OF GOQ TO GET OUT FRONT ON ANY ISSUE, IT MAY BE EXPECTED TO SUPPORT WITHIN OPEC ANY MOVE TO REACH REASONABLE COMPROMISE ON PRICE ISSUE.

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